

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CAB-02 CIAE-00 COME-00 DODE-00  
DOTE-00 EB-08 INR-10 NSAE-00 FAA-00 L-03 /036 W  
-----030442 150807Z /11

R 141528Z APR 78  
FM AMEMBASSY PARIS  
TO SECSTATE WASHDC 0116  
INFO AMEMBASSY MOSCOW  
AMEMBASSY LONDON  
AMEMBASSY BONN

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E.O. 11652: N/A  
TAGS: EAIR, FR, UR  
SUBJECT: FRANCO-SOVIET AVIATION NEGOTIATIONS

REF: MOSCOW 5823 AND 4476

1. THE EMBASSY'S CIVIL AIR ATTACHE HAD THE OPPORTUNITY TO REVIEW ON APRIL 12 AND 13 THE RECENT FRANCO-SOVIET AIR NEGOTIATIONS WITH FRANCOISE CLAUDE-LAFONTAINE (AVIATION DIRECTOR, QUAI D'ORSAY) AND WITH ROBERT ESPEROU (DIRECTOR OF ECONOMIC AND INTERNATIONAL SERVICE, DGAC, WHO LED THE FRENCH DELEGATION TO MOSCOW). ALTHOUGH NO DOCUMENTS WERE MADE AVAILABLE TO US, THE FOLLOWING PICTURE EMERGED OF THE OUTCOME:

A. CAPACITY: THROUGH MOST OF THE PERIOD SINCE 1959 WHEN FRANCE-USSR AIR SERVICES COMMENCED, AEROFLOT HAS SUBSTANTIALLY OUTCARRIED AIR FRANCE IN THE BILATERAL MARET, LARGELY AS A RESULT OF GREATER CAPACITY AVAILABILITY OF AEROFLOT. THIS SITUATION INCLUDED BOTH SCHEDULED AND CHARTER SERVICE, AND IN RECENT YEARS HAS INVOLVED A TWO-THIRDS/ONE THIRD RATIO. SINCE AIR FRANCE

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NOW HAS THE CAPACITY THE GOF HAS BEEN ANXIOUS TO ESTABLISH A FIFTY-FIFTY RATIO INVOLVING BOTH TYPES OF SERVICE TOGETHER AND IT BELIEVES IT HAS DONE SO THROUGH THE NEW AGREEMENT. PERMISSION TO INTRODUCE THE WIDE-BODIED AIRBUS (EFFECTIVE APRIL 1) ON THE PARIS-MOSCOW ROUTE WAS PART OF THIS DEAL, BUT --IN SPITE OF THE PUBLICITY ATTENDANT TO THIS AIRCRAFT-- WAS NOT THE MAJOR

ASPECT AS ALL SERVICES WERE INVOLVED.

B. PRICING: AEROFLOT PRICING IN RECENT YEARS, ACCORDING TO THE FRENCH, HAS BEEN CUT-RATE, ESPECIALLY ON CHARTER SERVICE, AND AIR FRANCE WAS NO LONGER WILLING TO ACCEPT THAT SITUATION. THIS WAS, WE WERE TOLD, THE MOST DIFFICULT ASPECT OF THE NEGOTIATION AND A SERIES OF COMPLICATED FORMULAE WERE DEVELOPED SO THAT PRICES WOULD COVER AT LEAST 98 PERCENT OF COSTS AND HOPEFULLY MORE. NOT ONLY WILL THIS INVOLVE HIGHER FARES ON THE SCHEDULED SERVICE ROUTES, BUT ALSO RUSSIAN ACCEPTANCE OF FRENCH MINIMUM CHARTER PRICES, A REQUIREMENT THE RUSSIANS STRONGLY RESISTED.

C. CDG AIRPORT: AEROFLOT HAS INDEED BEEN GIVEN THE RIGHT TO CONSOLIDATE ALL ITS OPERATIONS IN PARIS AT CHARLES DE GAULLE EFFECTIVE THE END OF 1978. THE USSR PRESSED HARD FOR THIS IN VIEW OF THE HIGH COSTS OF PROVIDING SERVICE AT BOTH CDG AND ORLY (AS AIR FRANCE IS REQUIRED TO DO BY GOF POLICY).

D. MOSCOW-KIEV-PARIS ROUTE. AGREEMENT HAS BEEN REACHED IN PRINCIPLE TO ESTABLISH THIS SERVICE EFFECTIVE

THE PROFITS. COMMENCEMENT OF OPERATIONS DEPENDS ON THE CONCLUSION OF THE COMMERCIAL AGREEMENT AND, WE UNDERSTAND, INTER CARRIER NEGOTIATIONS TO THIS EFFECT ARE STILL UNDERWAY. IT WAS EMPHASIZED TO US THAT THE SER-

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VICE WOULD NOT COMMENCE UNTIL A SATISFACTORY ARRANGEMENT

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HAS BEEN ACCEPTED.

E. CHARTERS. NO SEPARATE COMPREHENSIVE CHARTER AGREEMENT HAS BEEN NEGOTIATED OR PROPOSED BY EITHER SIDE, BUT CERTAIN UNDERSTANDINGS HAVE BEEN REACHED REGARDING CHARTERS (IN ADDITION TO THE PRICING QUESTION MENTIONED ABOVE). MOST IMPORTANT OF THESE IS TO BRING CAPACITY (TAKING CHARTER AND SCHEDULED OPERATIONS TOGETHER) INTO BALANCE BETWEEN THE TWO CARRIERS. HISTORICALLY ALMOST ALL CHARTERS HAVE BEEN FRENCH ORIGINATING AND HAVE BEEN CARRIED BY AEROFLOT WHICH REGARDED ITSELF AS HAVING A MONOPOLY RIGHT TO THE MARKET. ALTHOUGH AIR FRANCE HAS HAD A RIGHT OF FIRST REFUSAL WITH RESPECT TO INDIVIDUAL OPERATIONS, IT HAS NOT HAD THE CAPACITY TO EFFECTIVELY IMPLEMENT THIS RIGHT UNTIL NOW. IN RECENT YEARS WHEN IT EXERCISED THIS RIGHT FROM THE GOV AIR FRANCE ENCOUNTERED DIFFICULTIES IN GETTING LANDING AUTHORIZATIONS IN THE USSR. THE NEW ARRANGEMENTS ARE INTENDED TO CORRECT THIS. FURTHERMORE, AIR FRANCE'S CHARTER ACCESS TO RUSSIAN POINTS IS TO BE IMPROVED (LOCATIONS WERE NOT SPECIFIED). IN THE PAST, AIR FRANCE HAS BEEN LIMITED OFFICIAL USE

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RESTRICTED FOR CHARTER SERVICE TO THREE USSR INTERNATIONAL AIRPORTS (MOSCOW, KIEV AND LENINGRAD) WHEREAS FRANCE (WHICH HAS ABOUT 100 INTERNATIONAL AIRPORTS) PERMITTED AEROFLOT TO ORIGINATE TRAFFIC ALMOST ANYWHERE IN THE COUNTRY. IN THE FUTURE AIR FRANCE CHARTERS ARE TO BE ALLOWED TO OPERATE TO SEVERAL MORE AIRPORTS IN THE USSR.

2. ESPEROU CHARACTERIZED THE RUSSIAN NEGOTIATIONS AS EXTREMELY DIFFICULT AND HAVING REQUIRED FIFTEEN DAYS TO COMPLETE. HOWEVER, HE APPEARED FAIRLY HAPPY WITH THE BARGAIN. HE SAID HE WAS RATHER AMUSED BY THE USSR RESISTANCE TO THE FRENCH EMPHASIS ON MINIMUM CHARTER PRICES. THEIR EMPHASIS UPON MARKET FORCES REMINDED HIM VERY MUCH OF THE U.S. APPROACH.  
HARTMAN

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## Message Attributes

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